

# Financial Status Report

Prepared by the Finance Department




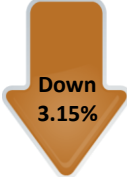

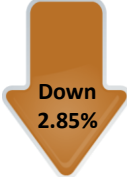

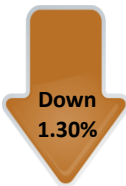








September 30, 2011

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through September 30, 2011. It compares revenues and expenditures for the first quarter of Fiscal Year 2011-12 and Fiscal Year 2010-11. In addition, the financial status of the Water and Wastewater Enterprises and the Village Project Area of the Redevelopment Agency are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

## San Diego County Economic Indicators

<b>August 2011</b>			
 <b>Index of Leading Economic Indicators</b>	 Down 1.00%	 <b>Local Stock Prices</b>	 Down 3.15%
		 <b>Local Consumer Confidence</b>	 Down 2.85%
 <b>Building Permits</b>	 Down 1.30%	 <b>Help Wanted Advertising</b>	 Up 0.72%
 <b>Unemployment Insurance</b>	 Up 0.07%	 <b>National Economy</b>	 Up 0.50%

Source: University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators*, September 27, 2011.

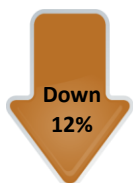
### According to the USD Index of Leading Economic Indicators Report:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County fell 1.0 percent in August. The downward move was led by a sharp decline in local stock prices, consumer confidence, and building permits. These overwhelmed moderate increases in help wanted advertising and the outlook for the national economy and a smaller gain in initial claims for unemployment insurance to push the USD Index to its largest decline since March 2009.

With the USD Index now having fallen for two of the last three months, there are serious questions about the near term outlook for the local economy. Economists usually look for three consecutive changes in a leading index in one direction to signal a turning point in an economy. While that threshold has not yet been met, the magnitude of the decrease is troubling. The two measures of sentiment in the Index, local stock prices and consumer confidence, collapsed in August, indicating that both investors and consumers have serious concerns about the economy. As discussed below, the economic and political situations have gotten people in an ugly and pessimistic mood that has not been observed for a long time. Whether that translates into trouble for the economy remains to be seen. For now, the outlook remains for positive but slow growth in the local economy through the first part of 2012. What happens after that is up in the air, and more data will be needed in the coming months to clarify the situation.

Residential units authorized by building permits were down for the third straight month. Due to a strong beginning of the year, residential units authorized for 2011 through August have already topped the total for all of 2010. But the numbers have dropped off significantly in recent months. In all the gloom, both of the labor market variables were up, although barely so. On the hiring front, help wanted advertising has now increased for eight consecutive months. The net result was that the local unemployment rate fell to 10.2 percent in August from 10.6 percent in July. As was mentioned in last month's report, the unemployment rate is typically higher in the summer due to schools being out of session. Consumer confidence plunged in August to hit levels not seen since early 2009. The political battle over the extension of the debt ceiling and the downgrade of the U.S. government debt by Standard and Poor's, both of which occurred at the beginning of the month, undoubtedly impacted confidence and contributed to a surge in the number of people who think the country is on the wrong track. Local stock prices plunged along with the rest of the financial markets as investors grow increasingly concerned about the outlook for the economy. San Diego stocks were particularly battered, being down 7.22 percent during the month as compared to 4.36 percent for the Dow Jones Industrial Average and 6.42 percent for the NASDAQ Composite Index. The national Index of Leading Economic Indicators continues to rise despite all the concerns about the national economy. The national Index has now increased for four straight months and 13 out of the last 14 months.<sup>1</sup>

## Top General Fund Revenues



**Property Taxes (\$2.6 million)** – The majority of property tax revenue is collected in December and April each fiscal year. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have decreased by 0.41 percent for Fiscal Year 2011-12. This is the third year in a row that Carlsbad's assessed values have decreased from year to year. This reflects the continuing countywide slowdown in property valuation and new construction, as well as an increase in foreclosures. The decrease in this year's assessed values was due entirely to a decrease in the valuation of commercial and industrial properties; residential property values actually increased by two percent for the year.

<sup>1</sup> University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Down Sharply in August*, September 27, 2011.

The primary reasons that property taxes for the first three months of the new fiscal year have decreased by 12 percent as compared to the prior fiscal year are:

- Current taxes are down by \$29,000 or 3.6 percent due to timing differences and a decrease in assessed values.
- Aircraft taxes are down by \$247,000 due to one-time revenues received in the prior fiscal year.
- Supplemental taxes are up by \$20,000 due either to timing differences and/or an increase in home resales whereby the sales price of the home exceeded the previous assessed value.
- Payments for previous years' taxes are down by \$88,000 due to a decrease in collections on past due tax bills and refunds of prior year taxes due to reassessments.



**Sales Taxes (\$5.2 million)** – For the first three months of the new fiscal year, sales tax revenues are \$738,000 (or 16 percent) higher than the same time period in the previous fiscal year. Sales tax revenues for the year represent the actual sales tax receipts for the second quarter of the calendar year, as well as the first advance of the city's third calendar quarter sales tax revenues. Advances are based on prior year activity adjusted by either a positive or negative growth factor, and are not a true indicator of the current economy. The primary factors in the increase over the prior fiscal year is the result of a 14.4 percent increase in sales tax revenues during the second calendar quarter of 2011 and the State Board of Equalization applying a positive 6.7 percent growth factor to the monthly advances for the third calendar quarter.

For sales occurring in the first calendar quarter of 2011 (the most recent data available), key gains could be seen in new auto sales, service stations, light industry, office equipment and department stores. During the same period, key declines could be seen in health and government, restaurants and business services. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were up nine percent for sales occurring in the 12 months ended March 31, 2011 over the same 12-month period last year.

The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 64 percent of the city's sales tax revenues.



**Transient Occupancy Tax (\$4.6 million)** – Transient Occupancy Taxes (TOT) for the first quarter of the fiscal year reflect an increase of \$318,000, seven percent more than the previous year. Higher occupancy rates throughout most of the city's hotels accounted for this variance. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of August 2011.

Currently, there are 3,619 hotel rooms and 1,050 vacation rentals (timeshares) in the city. The average occupancy of hotel rooms over the most recent twelve months has been 59 percent, two percentage points above last year's average.



**Interdepartmental Charges (\$848,000)** – Interdepartmental charges are \$93,000, or 12 percent higher than last year. These charges are generated through engineering services charged to capital projects (down 25 percent or \$51,000) and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (up 26 percent or \$144,000). In the previous fiscal year, the city charged miscellaneous interdepartmental expenses based

on guidelines used for federal grant reimbursement, which did not allocate the expenses for all services performed by the General Fund. In Fiscal Year 2011-12, the city changed the method for calculating the costs of services provided by the General Fund to other funds. This new method will more accurately allocate all costs, including those associated with legislative services.



**Business License Tax (\$845,000)** – Business license revenues are up \$30,000 compared to Fiscal Year 2010-11. This increase is due mainly to a new, larger company moving to Carlsbad and paying its license fees for the first time in September 2011.

There are currently 8,829 licensed businesses operating within the city, 24 more than last year's 8,805. The majority of taxed businesses (6,231 businesses) are located in Carlsbad, with 2,568 of these businesses home-based.

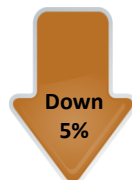


**Ambulance Fees (\$757,000)** – The city bills any individual who is transported in one of the city's ambulances. Through September 2011, receipts from ambulance fees are up eight percent or \$58,000 higher than last fiscal year at this time. The number of billable transported patients in the first three months of Fiscal Year 2011-12 (1,289) versus Fiscal Year 2010-11 (1,174) has increased moderately as reflected in the higher revenues to date.



**Franchise Taxes (\$702,000)** – Franchise taxes are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Year-to-date franchise taxes are up \$19,000 over the same period last year. A 13.1 percent increase in trash collection revenue partially offset by a 1.6 percent decrease in cable television franchise revenues (Time Warner and AT&T) has created the positive variance for the year.

Approximately 35 percent of the total franchise fee revenue anticipated for the year will be collected from SDG&E during the month of April 2012.



**Recreation Fees (\$700,000)** – Recreation fees are generated through instructional classes, camps, youth and adult sports, the triathlon, special events, parent participation preschool, senior programs, various aquatic programs, and lagoon permits. Year-to-date recreation fee revenue is \$40,000 lower than the previous fiscal year. The largest factors in this year's decrease are lower participation in the triathlon (a lower enrollment due to safety concerns), a reduction in aquatic lessons revenues (impacted by the Carlsbad High School renovation project which has reduced parking availability) and lower instructional class revenues (fewer instructors available to offer classes). These decreases were partially offset by higher participation in recreational swim (cooler weather in the previous fiscal year) and day camps (lower price point).



**Development-Related Revenues (\$629,000)** – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a significant increase for the year.

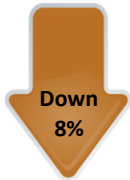
Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. The largest development related revenue source thus far in the year is engineering plan check fees, which is one of the first fees paid during the initial stages of development. Some of the activity in September included the development of the Muroya subdivision and the development of the Tavarua Senior Apartments.

Another source of development related revenue is building permits, which are up 16 percent as compared to last fiscal year. The increase in building permit revenue is derived from the combination of an increase in the valuation of new construction combined with an increase in the number of residential and commercial/industrial building permits issued. The year-to-date valuation of new construction in the current fiscal year is just over \$35.1 million, while it was just over \$34.8 million in the previous fiscal year, a 0.9 percent increase. The pace of construction slowed considerably in the month of September as builders pulled permits for two homes. In the northwest quadrant, a



permit was issued for a single-family residence and another permit was issued for a second dwelling unit. For the first three months of the fiscal year, 53 residential permits were issued, as compared to 36 permits issued during the same period last year.

No permits were issued in the city for new industrial, commercial or office space in September. Year-to-date there has been no commercial/industrial permits issued, as compared to 293,426 square feet at this time in Fiscal Year 2010-11.



**Income from Investments and Property (\$591,000)** – For the year, income from investments and property is down \$50,000 compared to the previous fiscal year.

Interest income is down for the year due to the net effect of a five percent increase in the average daily cash balance combined with a 12.8 percent decrease in the average yield on the portfolio for the year (a drop in the yield from 2.13 percent last fiscal year to 1.86 percent in the current fiscal year). In addition, the General Fund prepaid the employer PERS contribution for the whole year for the entire city (versus on a bi-weekly basis as in previous years). This reduced the interest earnings in the General Fund by approximately \$62,000 for the first three months of the fiscal year. However, the savings achieved by prepaying the PERS costs will be recognized by the General Fund at the end of the fiscal year.

Income from property rentals is essentially identical to the same time period in the prior fiscal year.



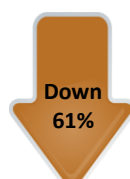
**Fines and Forfeitures (\$239,000)** – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The largest factor in the increase in revenues is additional moving violation revenues received from the traffic court and an increase in parking citation revenues.



**Other Revenue Sources (\$213,000)** – Other revenue sources have increased by \$30,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, right-of-ways, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; miscellaneous reimbursed expenses and refunds of prior year fees. A major factor in the increase in revenues in the current fiscal year is a reduction in prior year fee refunds.

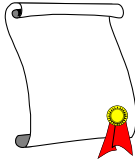
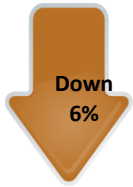


**Other Licenses and Permits (\$191,000)** – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity.



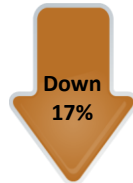
**Other Intergovernmental Revenues (\$129,000)** – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$129,000 received this year are reimbursements for Peace Officer Standards and Training (POST), state library grants, federal senior nutrition grants, state mandated costs reimbursements and law enforcement assistance. A major factor in this year's decrease is the timing of the payments received from the school

districts.

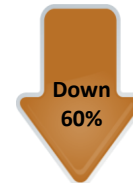


**Other Charges or Fees (\$113,000)** – Other charges and fees are generated through the sale of city documents such as agenda bills, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services such as mutual aid response, mall police services, emergency response services, reports, etc. A decrease in the sale of materials (copies, plans and specs, handout materials, etc.) and general services (kiosk sign fees, investigation fees, etc.) have led

to the variance to date.



**Transfer Taxes (\$64,000)** – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. A slowdown in new and existing home sales has led to this decline.



**Vehicle License Fees (\$53,000)** – Vehicle License Fees (VLF) have decreased by 60 percent over Fiscal year 2010-11 figures. The California Constitution requires the proceeds of 0.65 percent (this is the tax rate imposed on vehicles) of VLF to go to cities and counties only and prohibits the Legislature from directing that the funds be used to pay for new state mandates on local government after 2010. Seventy-five percent of

the revenues from the 0.65 percent VLF are transferred to the state's Local Revenue Fund to pay counties for various health and welfare services. Under the law through Fiscal Year 2010-11, the state Department of Motor Vehicles takes about 65 percent of the remaining funds for administrative charges, leaving the remainder for cities and counties. As part of the 2009 state budget agreement, a number of law enforcement grant programs that were previously funded by the state General Fund, were instead funded by a 0.15 percent state VLF increase. This temporary VLF increase expired on July 1, 2011. With the adoption of the Fiscal Year 2011-12 state budget, the governor has taken away the portion of VLF previously given to counties and cities to be used to fund these law enforcement grant programs. This "take away" from local government is being challenged in the court system due to the passing of Proposition 22 that protects local government revenues.

The revenues received in the current fiscal year represent a retroactive clean-up payment received by the city for prior fiscal years.

## Expenditures

Total General Fund expenditures and encumbrances through the month of September 2011 are \$38.6 million, compared to \$37.3 million at the same time last year. This leaves \$78.9 million, or 67.2 percent, available through the fiscal year-end on June 30, 2012. If funds were spent in the same proportion as the previous year, the General Fund would have 68 percent available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at September 30, 2011 is 72 percent, slightly less than the 72.4 percent available at September 30, 2010. The adopted General Fund budget for Fiscal Year 2011-12 increased by \$2 million due to the following factors:

- \$1.4 million additional transfer to the city's municipal golf course to assist with debt service and operations for the year
- \$500,000 in additional transfers to the city's Infrastructure Replacement Fund and lighting and landscaping districts
- \$300,000 in previously negotiated salary and benefit increases
- \$100,000 for the replacement of three portable EKG machines for emergency services
- \$315,000 reduction in PERS expenses due to recently completed labor negotiations

The City Council has allocated \$500,000 out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of September 30, 2011, \$14,405 has been authorized out of the contingency account, as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
<b>ADOPTED BUDGET</b>	\$500,000		
<b>USES:</b>			
"In Kind" Service Assistance for the Friends of Cardiff and Carlsbad State Beach	(110)	07/01/2011	City Manager
"In Kind" Service Assistance for the Real Living Lifestyles 2011 Day Fair	(330)	07/19/2011	City Manager
Donation for the Real Living Lifestyles 2011 Day Fair	(3,965)	07/19/2011	City Manager
Special Events Grant for the Carlsbad Music Festival	(10,000)	09/13/2011	2011-219
<b>TOTAL USES</b>	<u>(14,405)</u>		
<b>AVAILABLE BALANCE</b>	<u><u>\$485,595</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 09/30/11	ACTUAL FY 2011 AS OF 09/30/10	ACTUAL FY 2012 AS OF 09/30/11	CHANGE FROM YTD 2011 TO YTD 2012	PERCENT CHANGE
<b>TAXES</b>					
PROPERTY TAX	\$2,936,662	\$2,944,967	\$2,600,714	(\$344,253)	-12%
SALES TAX	4,589,167	4,474,388	5,212,080	737,692	16%
TRANSIENT TAX	4,404,182	4,257,195	4,574,738	317,543	7%
FRANCHISE TAX	679,813	682,387	701,859	19,472	3%
BUSINESS LICENSE TAX	785,821	815,035	844,886	29,851	4%
TRANSFER TAX	91,059	77,165	63,753	(13,412)	-17%
<b>TOTAL TAXES</b>	<b>13,486,704</b>	<b>13,251,137</b>	<b>13,998,030</b>	<b>746,893</b>	<b>6%</b>
<b>INTERGOVERNMENTAL</b>					
VEHICLE LICENSE FEES	88,028	132,117	52,838	(79,279)	-60%
HOMEOWNERS EXEMPTIONS	18	18	0	(18)	-100%
OTHER	285,745	334,091	128,678	(205,413)	-61%
<b>TOTAL INTERGOVERNMENTAL</b>	<b>373,791</b>	<b>466,226</b>	<b>181,516</b>	<b>(284,710)</b>	<b>-61%</b>
<b>LICENSES AND PERMITS</b>					
BUILDING PERMITS	116,592	149,156	173,705	24,549	16%
OTHER LICENSES & PERMITS	176,017	187,335	190,942	3,607	2%
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>292,609</b>	<b>336,491</b>	<b>364,647</b>	<b>28,156</b>	<b>8%</b>
<b>CHARGES FOR SERVICES</b>					
PLANNING FEES	40,113	61,521	95,252	33,731	55%
BUILDING DEPARTMENT FEES	105,343	128,154	140,070	11,916	9%
ENGINEERING FEES	176,860	205,876	220,398	14,522	7%
AMBULANCE FEES	689,457	698,622	756,780	58,158	8%
RECREATION FEES	719,241	739,450	699,916	(39,534)	-5%
OTHER CHARGES OR FEES	98,536	120,877	113,401	(7,476)	-6%
<b>TOTAL CHARGES FOR SERVICES</b>	<b>1,829,549</b>	<b>1,954,500</b>	<b>2,025,817</b>	<b>71,317</b>	<b>4%</b>
<b>FINES AND FORFEITURES</b>	<b>212,464</b>	<b>208,276</b>	<b>238,723</b>	<b>30,447</b>	<b>15%</b>
<b>INCOME FROM INVESTMENTS &amp; PROPERTY</b>	<b>631,528</b>	<b>640,614</b>	<b>590,512</b>	<b>(50,102)</b>	<b>-8%</b>
<b>INTERDEPARTMENTAL CHARGES</b>	<b>898,779</b>	<b>754,302</b>	<b>847,714</b>	<b>93,412</b>	<b>12%</b>
<b>OTHER REVENUE SOURCES</b>	<b>74,723</b>	<b>182,394</b>	<b>212,522</b>	<b>30,128</b>	<b>17%</b>
<b>TRANSFERS IN</b>	<b>0</b>	<b>4,028</b>	<b>0</b>	<b>(4,028)</b>	<b>-100%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$17,800,148</b>	<b>17,797,968</b>	<b>\$18,459,481</b>	<b>\$661,513</b>	<b>4%</b>

(1)

(1) Calculated General Fund revenues are 3.7% above estimates as of September 30, 2011.



GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT				
DEPT DESCRIPTION	TOTAL	AS OF 09/30/11		
	BUDGET FY 2011-12	AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE*
<b>POLICY/LEADERSHIP GROUP</b>				
CITY COUNCIL	\$372,344	\$73,173	\$299,171	80.3%
CITY MANAGER	1,608,462	408,318	1,200,144	74.6%
COMMUNICATIONS	802,554	298,851	503,703	62.8%
CITY CLERK	156,707	51,888	104,819	66.9%
CITY ATTORNEY	1,333,955	280,296	1,053,659	79.0%
CITY TREASURER	196,694	45,311	151,383	77.0%
RECORDS MANAGEMENT	693,068	223,439	469,629	67.8%
<b>TOTAL POLICY/LEADERSHIP</b>	<b>5,163,784</b>	<b>1,381,276</b>	<b>3,782,508</b>	<b>73.3%</b>
<b>INTERNAL SERVICES</b>				
FINANCE	3,576,883	1,006,525	2,570,358	71.9%
HUMAN RESOURCES	2,684,371	815,430	1,868,941	69.6%
PROPERTY AND ENVIRONMENTAL MANAGEMENT	5,418,791	2,457,227	2,961,564	54.7%
<b>TOTAL INTERNAL SERVICES</b>	<b>11,680,045</b>	<b>4,279,182</b>	<b>7,400,863</b>	<b>63.4%</b>
<b>PUBLIC SAFETY</b>				
POLICE	28,417,761	6,902,614	21,515,147	75.7%
FIRE	17,053,060	4,369,259	12,683,801	74.4%
<b>TOTAL PUBLIC SAFETY</b>	<b>45,470,821</b>	<b>11,271,873</b>	<b>34,198,948</b>	<b>75.2%</b>
<b>COMMUNITY DEVELOPMENT</b>				
COMMUNITY AND ECONOMIC DEVELOPMENT	8,915,234	3,123,146	5,792,088	65.0%
HOUSING AND NEIGHBORHOOD SERVICES	570,817	221,539	349,278	61.2%
<b>TOTAL COMMUNITY DEVELOPMENT</b>	<b>9,486,051</b>	<b>3,344,685</b>	<b>6,141,366</b>	<b>64.7%</b>
<b>COMMUNITY SERVICES</b>				
PARKS AND RECREATION	13,755,752	3,925,052	9,830,700	71.5%
LIBRARY AND ARTS	10,616,739	2,466,683	8,150,056	76.8%
<b>TOTAL COMMUNITY SERVICES</b>	<b>24,372,491</b>	<b>6,391,735</b>	<b>17,980,756</b>	<b>73.8%</b>
<b>PUBLIC WORKS</b>				
TRANSPORTATION	10,059,913	3,051,354	7,008,559	69.7%
UTILITIES	278,382	60,978	217,404	78.1%
<b>TOTAL PUBLIC WORKS</b>	<b>10,338,295</b>	<b>3,112,332</b>	<b>7,225,963</b>	<b>69.9%</b>
<b>NON-DEPARTMENTAL &amp; CONTINGENCY</b>				
OTHER NON-DEPARTMENTAL (a)	1,075,207	266,660	808,547	75.2%
TRANSFERS OUT	9,475,750	8,555,000	920,750	9.7%
CONTINGENCY	485,595	0	485,595	100.0%
<b>TOTAL NON-DEPT &amp; CONTINGENCY</b>	<b>11,036,552</b>	<b>8,821,660</b>	<b>2,214,892</b>	<b>20.1%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$117,548,039</b>	<b>\$38,602,743</b>	<b>\$78,945,296</b>	<b>67.2%</b>
(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.				
(b) Total committed includes expenditures and encumbrances.				
* Amount available would be 68% if funds were spent in the same proportion as the previous year.				

## Water Enterprise

WATER OPERATIONS FUND SEPTEMBER 30, 2011					
	BUDGET FY 2011-12	YTD (*) 09/30/2010	YTD (*) 09/30/2011	CHANGE FROM YTD 2010-11 TO YTD 2011-12	PERCENT CHANGE
<b>REVENUES:</b>					
WATER DELIVERY	27,846,968	7,651,780	8,885,776	1,233,996	16.1%
MISC. SERVICE CHARGES	213,000	71,040	75,131	4,091	5.8%
PROPERTY TAXES	2,975,000	82,496	75,224	(7,272)	-8.8%
FINES, FORFEITURES & PENALTIES	257,000	74,041	84,997	10,956	14.8%
OTHER REVENUES	368,300	596,113	75,510	(520,603)	-87.3%
<b>TOTAL OPERATING REVENUE</b>	<b>31,660,268</b>	<b>8,475,470</b>	<b>9,196,638</b>	<b>721,168</b>	<b>8.5%</b>
<b>EXPENSES:</b>					
STAFFING	3,418,467	746,173	790,272	44,099	5.9%
INTERDEPARTMENTAL SERVICES	1,977,786	476,567	492,211	15,644	3.3%
PURCHASED WATER	14,000,000	4,180,934	4,536,383	355,449	8.5%
MWD/CWA FIXED CHARGES	5,085,511	978,489	1,193,133	214,644	21.9%
OUTSIDE SERVICES/MAINTENANCE	887,525	119,257	68,518	(50,739)	-42.5%
DEPRECIATION/REPLACEMENT	4,193,000	992,000	1,048,250	56,250	5.7%
CAPITAL OUTLAY	24,298	0	0	0	0.0%
MISCELLANEOUS EXPENSES	2,124,832	224,817	144,440	(80,377)	-35.8%
<b>TOTAL OPERATING EXPENSES</b>	<b>31,711,418</b>	<b>7,718,237</b>	<b>8,273,207</b>	<b>554,970</b>	<b>7.2%</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>(51,150)</b>	<b>757,233</b>	<b>923,432</b>	<b>166,198</b>	<b>21.9%</b>

(\*) Adjusted to reflect timing differences for water purchases and depreciation.

Revenues

- The increase in water delivery revenues is the net result of a combination of a 0.5 percent increase in the number of water units sold and an average 18 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2011.
- An increase in same day turn on fees and new account charges are reflected in the increase in miscellaneous service charges.
- The lower property taxes are the result of a timing difference.
- Higher fines, forfeitures and penalties are the result of an increase in late charges and door hanger fees due to rate increases that have occurred over the past couple of years.
- The decrease in other revenues is the result of a reimbursement received by the Enterprise last fiscal year from the Marbella lawsuit.

Expenses

- The increase in staffing is the result of increased health insurance and PERS rates.
- Although the amount of purchased water has decreased slightly, a nine percent rate increase in the cost of water purchased from the SDCWA has created this variance.
- In addition to the purchased water cost increase, the fixed costs from MWD and CWA continue to increase significantly on an annual basis.
- Depreciation expenses have been increasing on an annual basis as the Enterprise acquires new equipment and replaces old equipment.
- A reduction in expenses related to meter replacements is reflected in lower outside services/maintenance and miscellaneous expenses.

## Wastewater Enterprise

WASTEWATER OPERATIONS FUND SEPTEMBER 30, 2011					
	BUDGET FY 2011-12	YTD (*) 09/30/2010	YTD (*) 09/30/2011	CHANGE FROM YTD 2010-11 TO YTD 2011-12	PERCENT CHANGE
<b>REVENUES:</b>					
CHARGES FOR CURRENT SERVICES	10,835,614	2,565,158	2,840,329	275,171	10.7%
OTHER REVENUES	317,000	58,805	64,491	5,686	9.7%
<b>TOTAL OPERATING REVENUE</b>	<b>11,152,614</b>	<b>2,623,963</b>	<b>2,904,820</b>	<b>280,857</b>	<b>10.7%</b>
<b>EXPENSES:</b>					
STAFFING	2,128,587	462,033	406,121	(55,912)	-12.1%
INTERDEPARTMENTAL SERVICES	1,084,268	206,221	266,989	60,768	29.5%
ENCINA PLANT SERVICES	3,159,311	776,758	789,828	13,070	1.7%
OUTSIDE SERVICES/MAINTENANCE	600,902	52,517	56,870	4,353	8.3%
DEPRECIATION/REPLACEMENT	3,630,000	850,000	907,500	57,500	6.8%
CAPITAL OUTLAY	0	89	0	(89)	-100.0%
MISCELLANEOUS EXPENSES	575,437	146,862	102,147	(44,715)	-30.4%
<b>TOTAL OPERATING EXPENSES</b>	<b>11,178,505</b>	<b>2,494,480</b>	<b>2,529,455</b>	<b>34,975</b>	<b>1.4%</b>
<b>OPERATING INCOME/LOSS</b>	<b>(25,891)</b>	<b>129,483</b>	<b>375,365</b>	<b>245,882</b>	<b>189.9%</b>
(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.					

**Revenues**

- The increase in charges for current services is primarily the result of an additional 2,240 new residential account fees over the past 12 months, as well as a 10 percent rate increase that went into effect in January 2011.
- A reduction in uncollectable account write-offs in the current fiscal year and an increase in interest earnings account for the increase in other revenues.

**Expenses**

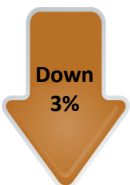
- The elimination of one position and the vacancy of an additional position in the Enterprise have reduced staffing expenses for the year.
- Additional interdepartmental charges are the result of an updated cost allocation plan that was completed in the prior fiscal year.
- Encina plant services to date are an estimate of the quarterly billing that will be received in October 2011.
- Depreciation expenses have been increasing on an annual basis as the Enterprise acquires new equipment and replaces old equipment.
- Prior year purchases of parts and pumps for sewer lift stations as well as parts for the vactor and CCTV van are reflected in the reduction in miscellaneous expenses.

## Redevelopment Agency

CARLSBAD REDEVELOPMENT AGENCY VILLAGE PROJECT AREA OPERATIONS, DEBT SERVICE AND CAPITAL FUNDS SEPTEMBER 30, 2011					
	BUDGET FY 2011-12	YTD 09/30/2010	YTD 09/30/2011	CHANGE FROM YTD 2010-11 TO YTD 2011-12	PERCENT CHANGE
<b>REVENUES</b>					
PROPERTY TAXES	2,665,600	0	0	0	0.0%
INTEREST	35,000	7,436	11,908	4,472	60.1%
OTHER REVENUES	26,200	5,095	4,919	(176)	-3.5%
<b>TOTAL OPERATING REVENUE</b>	<b>2,726,800</b>	<b>12,531</b>	<b>16,827</b>	<b>4,296</b>	<b>34.3%</b>
<b>EXPENDITURES</b>					
STAFFING	144,653	38,442	23,211	(15,231)	-39.6%
INTERDEPARTMENTAL SERVICES	48,405	19,379	12,101	(7,278)	-37.6%
RENTALS & LEASES	58,125	25,408	26,132	724	2.8%
DEBT EXPENSE	1,041,265	784,989	796,470	11,481	1.5%
CAPITAL OUTLAY	1,783,075	0	0	0	0.0%
OUTSIDE SERVICES, MAINT & MISC	156,168	57,919	43,885	(14,034)	-24.2%
<b>TOTAL OPERATING EXPENDITURES</b>	<b>3,231,691</b>	<b>926,137</b>	<b>901,799</b>	<b>(24,338)</b>	<b>-2.6%</b>
<b>TOTAL OPERATING REVENUES OVER EXPENDITURES</b>	<b>(504,891)</b>	<b>(913,606)</b>	<b>(884,972)</b>	<b>28,634</b>	<b>-3.1%</b>

Revenues

- The first installment of property tax revenues will be received in November 2011. According to the San Diego County Assessor, assessed values in the Village Project Area have increased by 1.38 percent in Fiscal Year 2011-12.
- Interest revenues have increased due to the combination of a 78 percent increase in the average cash balance for the year partially offset by a 12.8 percent decrease in the yield on the Treasurer's portfolio.
- A decrease in redevelopment permits is reflected in lower other revenues.

Expenditures

- Total staffing costs for Fiscal Year 2011-12 are lower than the previous year due to a reduction in staff in anticipation of less funding resulting from state-mandated changes to redevelopment.
- Due to the reduction in staffing levels (mentioned above), miscellaneous interdepartmental charges have also been reduced for the year.
- Parking lot and building rentals are encumbered in full at the beginning of the fiscal year.
- The first of two bond service payments was made in September 2011.
- The costs associated with concrete repairs and additional signage were higher in the previous fiscal year at this time, and this reduction is reflected in the lower outside services, maintenance and miscellaneous expenditures in the current fiscal year.